

What Do You Do When the Reservation Phone Stops Ringing in Your Hotel?

An old GM of mine was fond of this statement. He usually came at it from the other end of this by saying, "Any monkey could fill this place when the phones are ringing." And I think he is right.

As the famous saying by JFK goes, "A rising tide floats all boats." That has largely been our industry in North America in the past 10 years. It has been high tide for a long time. But now, things are starting to look a bit different.

What do you do to preserve profit when the revenue tap slows down? That's a tall order.

Given our industry's competitive nature, we all do the same thing when the volume goes down. We immediately take our foot off the rate peddle. Double whammy every time. This time will be no different other than perhaps we have even further to fall back in RevPAR because of the gains in the past decade coupled with additional supply.

In real terms, the number of hotel rooms in America has increased by over 14 percent in the past 10 years. From 4.6 million to 5.3 million rooms.

I am no economist but what that means to me is the fight for occupancy is going to be even fiercer. For this piece, I leave it to the marketing and revenue management experts to tell you what to do on the front end. What I will talk about here is what you can do to manage the middle of the statement.

Cost of sales, payroll, and expenses

Before we dive in, I want to say that managing the top line is critical but that will only take you so far. Preserving your RevPAR index is one thing, but you cannot take that to the bank.

Managing the negative flow and minimizing your costs is a very different discipline. This is the game you need to learn, and it cannot be done from the controller's office, it needs to happen upfront in every department.

Each team needs its plan and your guidance and support to make it effective. Saying you are relying on the accounting department to reel in departmental spending is like saying the kids will do their



homework. It is just not going to happen that way. If you are the GM, the owner or the asset manager you need to make sure this is in place and working 100 percent.

Passing the buck here is a critical error. Your team needs your leadership this season more than ever before.

Cost of sales. By far one of the most useful and popular blogs for hoteliers on this topic can be found here: <https://hotelfinancialcoach.com/hospitality-financial-leadership-food-cost-and-the-8020-rule/>

There is no one magic bullet for controlling costs. Nothing replaces continuous effort and persistence. It's a game of inches and even the little one's matter. One aspect of costs that I find time and time again that people don't understand is the difference between costs and contribution margin, learn more here: <https://hotelfinancialcoach.com/hospitality-financial-leadership-beverage-cost-or-contribution-margin/>

Payroll. Nothing ever beats a solid plan that's laid out in a guide. Staffing formulas are nothing new but what's yours? I am willing to bet you don't have one. Without this power tool in every operating and non-operating department your biggest expense is left on its own to wreak havoc on your hotel's bottom line:

<https://hotelfinancialcoach.com/hospitality-financial-leadership-creating-and-using-staffing-guides/>

Expenses. Zero-based is the only way to go here. Cost per cover or cost per room occupied will only show you what happened, not what is planned to happen. When you look to reduce expenses, you need mom's grocery list. That way you have your catalog by specific department and expense line to drill into. Percentage of revenue for managing your expenses is for amateurs:

<https://hotelfinancialcoach.com/hospitality-financial-leadership-zero-based-expenses-how-to-plan-and-manage/>

If you are looking for help to reel in your expenses and payroll, give me a call and we can discuss how I can help you.

At Hotel Financial Coach I help hotel leaders with financial leadership coaching and workshops. Learning and applying the necessary financial leadership skills is the fast track to greater career success and increased personal prosperity. I significantly improve individual and team results with a proven return on investment.

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